



Defense Acquisition University Webcast
July 26, 2006



Defense Acquisition University Webcast July 26, 2006

**Mr. Frank Ramos
Secretary of Defense
Chief Advocate for all Small Businesses**



BASICS OF BUNDLING & CONSOLIDATION

**Defense Acquisition University Webcast
July 26, 2006**

**Ms. Julie Krnc
Assistant Director
Office of Small Business Programs for DoD**

OVERVIEW

- ❑ **Background**
- ❑ **When Do Rules Apply?**
- ❑ **Definitions**
- ❑ **So What?**
- ❑ **Benefit Analysis**
- ❑ **Alternatives**
- ❑ **Resources**



BACKGROUND

Armed Services Procurement Act of 1947
& Small Business Act
“fair proportion rule”



Shrinking acquisition workforce in 1990's
AND *increase* in procurement actions



RESULT: changing procurement methods ultimately
reducing # of opportunities for small business

LOTS OF INTEREST....

1982

1996

1997

1999

3/2000, 5/2000, 6/2000, 7/2000, 9/2000, 12/2000

1/2002, 3/2002, 10/2002

1/2003, 10/2003, 11/2003

5/2004, 9/2004

2005

2006

**Statutes, Regulations, Hearings, President's Small Business
Agenda, Policy Letters, GAO Reports, Studies,
*Numerous Articles, Guidebook.....***

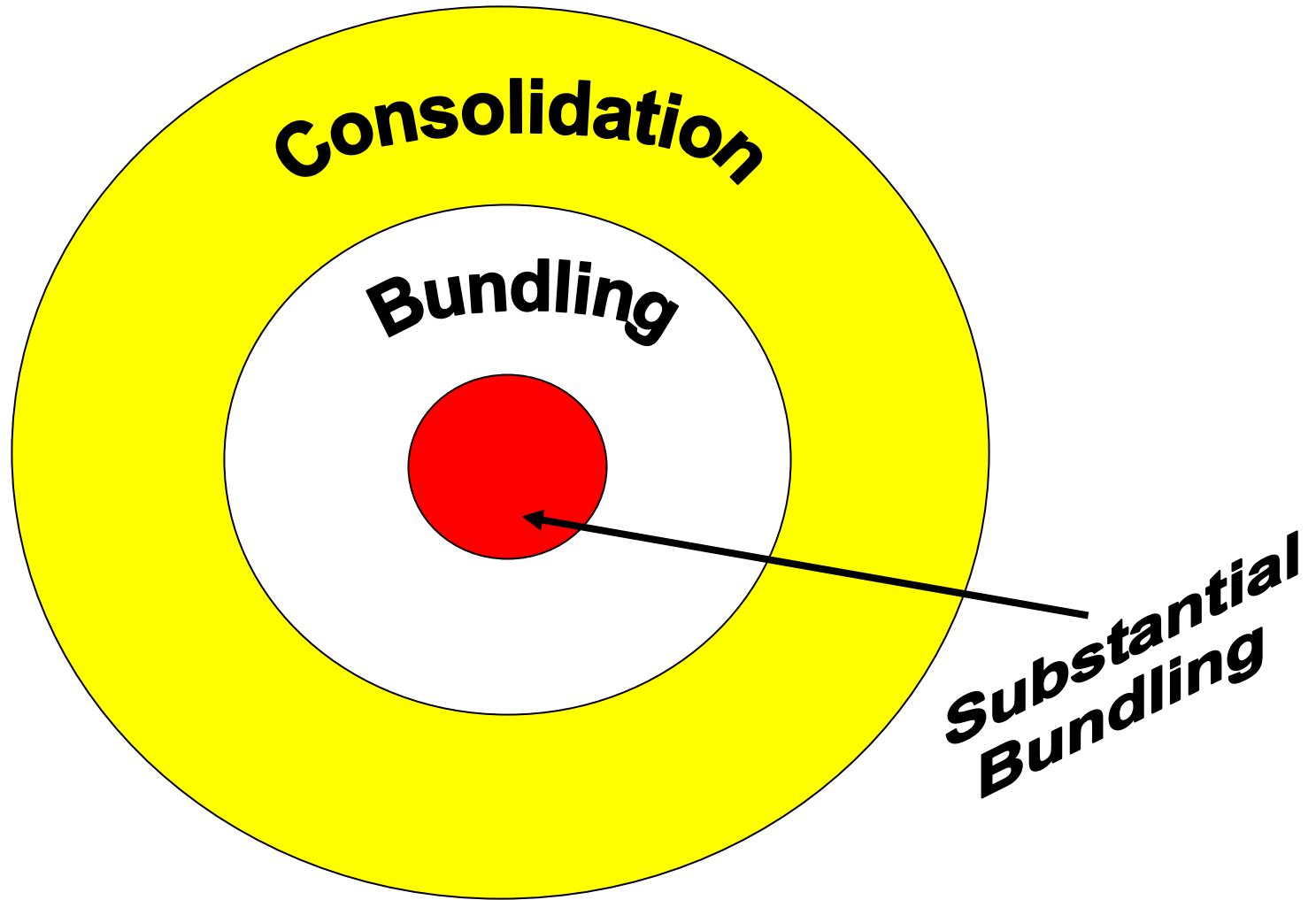
RULES APPLY IF....

- ❑ **Order/solicitation combining ≥ 2 requirements *previously procured* under separate contracts**
- ❑ **Includes orders placed against:**
 - ❑ **GSA Multiple Award Schedule per FAR 8.4**
 - ❑ **Multiple award contracts per FAR 16.5**
- ❑ **Includes other IDIQ contracts with ≥ 2 sources for same line item under same solicitation**

Does *not* apply if contract awarded & performed outside the U.S.



THE BIG PICTURE



CONSOLIDATED or BUNDLED?

<i>IF....</i>	<i>AND....</i>	<i>THEN....</i>
≥ 2 requirements combined into 1 contract or multiple award contract (DoD only)	Previously performed under ≥ 2 separate, smaller contracts	CONSOLIDATED ACQUISITION



CONSOLIDATED or BUNDLED?

<i>IF....</i>	<i>AND....</i>	<i>THEN....</i>
≥ 2 requirements combined into 1 contract or multiple award contract (DoD only)	Previously performed under ≥ 2 separate, smaller contracts	CONSOLIDATED ACQUISITION
<u>Consolidated acquisition,</u> ≥ 1 req't <i>previously performed or could have been performed</i> by a small business	Solicitation/order unsuitable for small business	BUNDLED ACQUISITION



CONSOLIDATED or BUNDLED?

IF....	AND....	THEN....
≥ 2 requirements combined into 1 contract or multiple award contract (DoD only)	Previously performed under ≥ 2 separate, smaller contracts	CONSOLIDATED ACQUISITION
<u>Consolidated acquisition</u> , ≥ 1 req't <i>previously performed or could have been performed</i> by a small business	Solicitation/order unsuitable for small business	BUNDLED ACQUISITION
<u>Bundled acquisition</u>	Est value (incl options): DoD ≥ \$7M; NASA ≥ \$5M; All other ≥ \$2M	SUBSTANTIAL BUNDLING



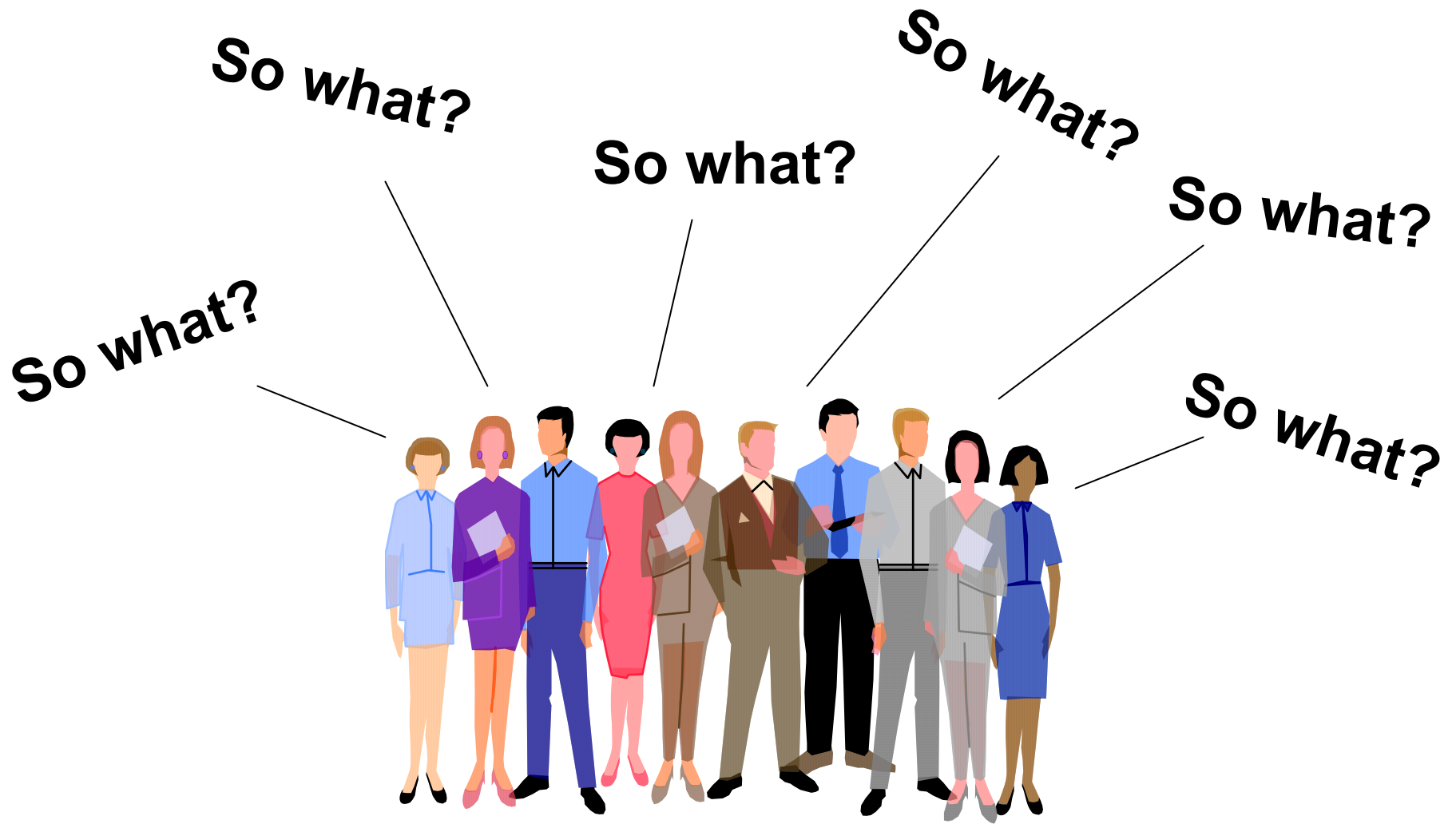
IF CONSOLIDATED....

- ❑ **≥ 2 past requirement(s):**
 - ❑ Performed under separate contracts,
 - ❑ Awarded to large or small business



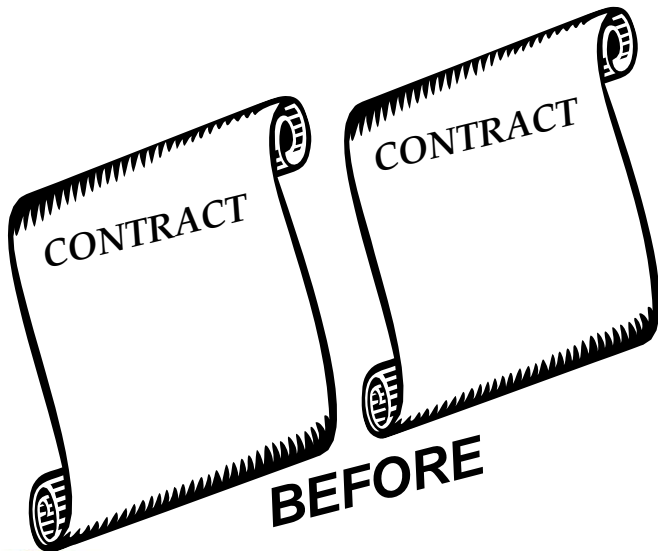
- ❑ **Consolidated into one solicitation or order:**
 - ❑ Awarded & performed within U.S.
 - ❑ Awarded to large or small business





CONSOLIDATION*

Lost Opportunities!



****Applies to DoD Only***

CONSOLIDATION*

- ❑ **IF > \$5M MUST BE *JUSTIFIED* BY:**
 - ❑ **Market research**
 - ❑ **Analysis of alternatives**
 - ❑ **Benefit analysis**
 - ❑ **Benefits of consolidation must *substantially exceed* alternatives**
 - ❑ **Coordinate with activity Small Business Specialist; SBA PCR**
 - ❑ **Senior Procurement Executive approval**
 - ❑ **Document the above**



****Applies to DoD Only***

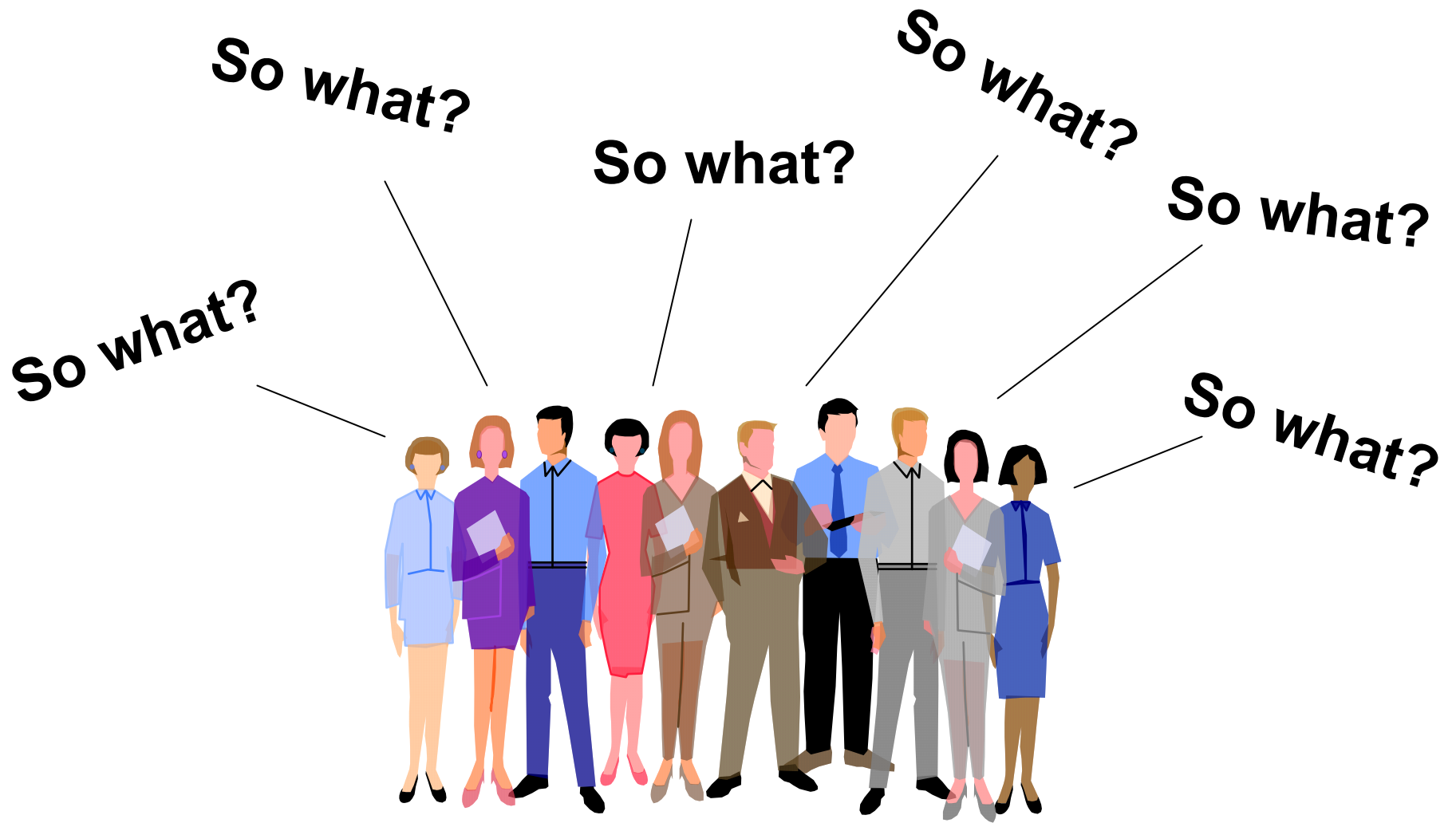
IF BUNDLED....

- ❑ **Consolidated acquisition & ≥ 1 requirement:**
 - ❑ ***Previously*** performed by small business OR
 - ❑ ***Could have been performed*** by small business
 - ❑ Previous small business bidders/offerors?
 - ❑ Performed by small businesses elsewhere?



- ❑ **Combined into one solicitation or order:**
 - ❑ **Unsuitable for small business**
 - ❑ Diversity, size or specialized nature
 - ❑ Dollar value
 - ❑ Geographic dispersion
 - ❑ Any combo of the above





BUNDLED ACQUISITIONS

**Lost opportunities!
and
Displaces small businesses**



BUNDLED ACQUISITIONS

- ❑ **MUST BE *JUSTIFIED & DOCUMENTED*:**
 - ❑ Market research
 - ❑ Analysis of alternatives
 - ❑ Benefit analysis
 - ❑ Benefits of bundling must be *measurably substantial*
 - ❑ Coordinate with activity Small Business Specialist; SBA PCR; Agency Director of Small Business
 - ❑ Contracting Officer or SAE or USD (AT&L)



REMEMBER: Acquisition is *not* considered bundled if issued as 8(a), under a small business set-aside program, or under small business sole source authority.

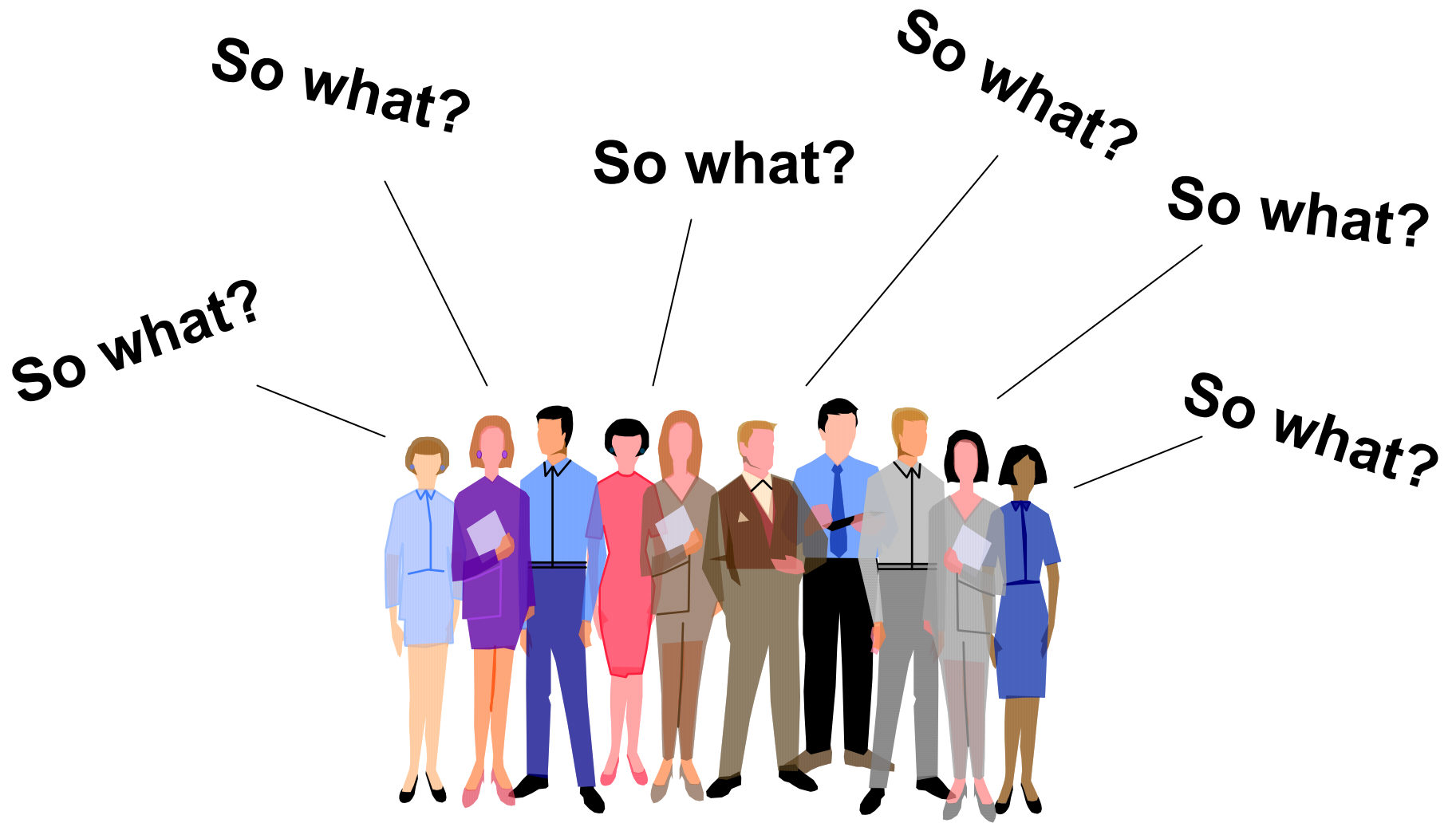
IF SUBSTANTIALLY BUNDLED....

- ❑ **Bundled acquisition**
- ❑ **Estimated value including options:**
 - DoD \geq \$7M**
 - NASA \geq \$5M**
 - All other \geq \$2M**



- ❑ **Combined into one solicitation or order:**
 - ❑ **Unsuitable for small business**
 - ❑ **Diversity, size or specialized nature**
 - ❑ **Dollar value**
 - ❑ **Geographic dispersion**
 - ❑ **Any combo of the above**





IF SUBSTANTIALLY BUNDLED....

***More lost opportunities!
and***

Displaces more small businesses !



IF SUBSTANTIALLY BUNDLED....

- ❑ **ADDITIONAL JUSTIFICATION:**
 - ❑ Action plan to *mitigate* effects of bundling including maximizing SB subcontractors/suppliers
 - ❑ Analysis of alternatives to reduce/minimize bundling & rationale for not choosing
 - ❑ Same coordination & approvals as for any bundled acquisition



REMEMBER: Acquisition is *not* considered bundled if issued as 8(a), under a small business set-aside program, or under small business sole source authority.

BUNDLED ACQUISITIONS

- ❑ **Measurably *substantial* benefits equal:**
 - ❑ **10% of estimated contract value (including options) – if value is \leq \$75M**
 - ❑ **5% if estimated contract value (including options) – if value is $>$ \$75M**



***Reduction in admin or personnel costs alone not sufficient justification unless $\geq 10\%$ of estimated value (including options) of bundled acquisition**



BUNDLED/SUBSTANTIALLY BUNDLED

Displaces small business!

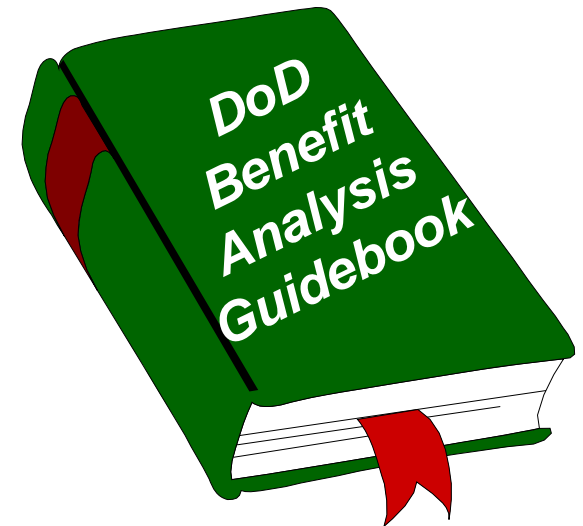
- ❑ **Notification requirement:**
 - ❑ **30 days before issuing solicitation/placing order**
 - ❑ **Notify affected incumbent small businesses**
 - ❑ **Info on upcoming procurement**
 - ❑ **How to contact SBA**



TANGIBLE BENEFITS

(Examples in Guidebook)

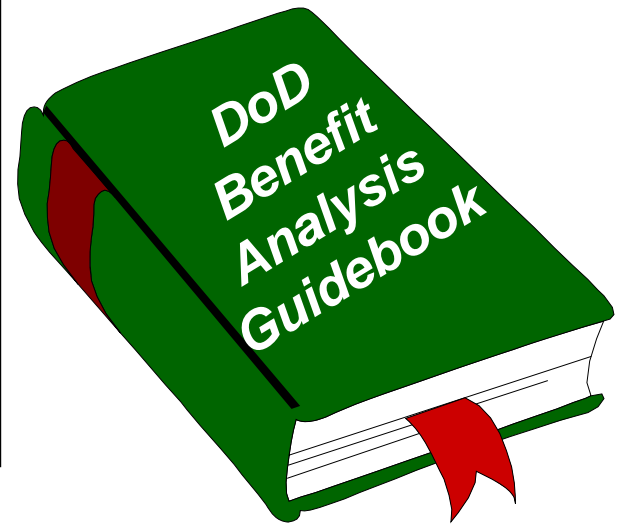
- ❑ **Price reductions due to economies of scale, etc.**
- ❑ **Cost savings**
- ❑ **Administrative cost reduction**
- ❑ **Cost-avoidance savings**
- ❑ **Personnel cost reduction**



INTANGIBLE BENEFITS

(Examples in Guidebook)

- ❑ **Technical benefits**
- ❑ **Cycle time reduction**
- ❑ **Better terms & conditions**
- ❑ **Improved service**



CONSIDER ALTERNATIVES

- ❑ **Configure solicitations to be “small business friendly”**
- ❑ **Conduct industry forums or pre-solicitation conferences**
- ❑ **Effective market research – history, CCR, DSBS, sources sought notices**
- ❑ **Encourage small business teaming or joint ventures**



CONSIDER ALTERNATIVES (cont'd)

- ❑ **Consider negative effect on small business supplier base**
- ❑ **Promote small business subcontracting**
 - ❑ **Small business utilization evaluation factors**
 - ❑ **Award fees & incentives**
 - ❑ **Liquidated damages**
- ❑ **Monitor subcontracting plan performance**





Government Contracting

Government Contracting

[What's New?](#)[What We Do](#)[Frequently Asked Questions \(FAQs\)](#)[Programs to Assist Business](#)[Resources & Opportunities](#)[Contacts & Representatives](#)[Glossary](#)[Comments](#)[Search Contracting Only](#)[← Home for this Area](#) [Previous Location →](#)

Bundling Report

The purpose of this page is to provide a system to alert SBA's Office of Government Contracting of contract bundling practices on the part of federal agencies that preclude a small business from successfully competing for a contract.

Bundling is the consolidation of two or more requirements which were individually performed, or could be individually performed, by a small business. The demand for supplies, services, or construction is of a quantity, estimated dollar value, or magnitude that makes it unlikely that a small business can successfully compete for the prime contract.

Please enter the following information

Please enter your name:

Please enter your phone number:

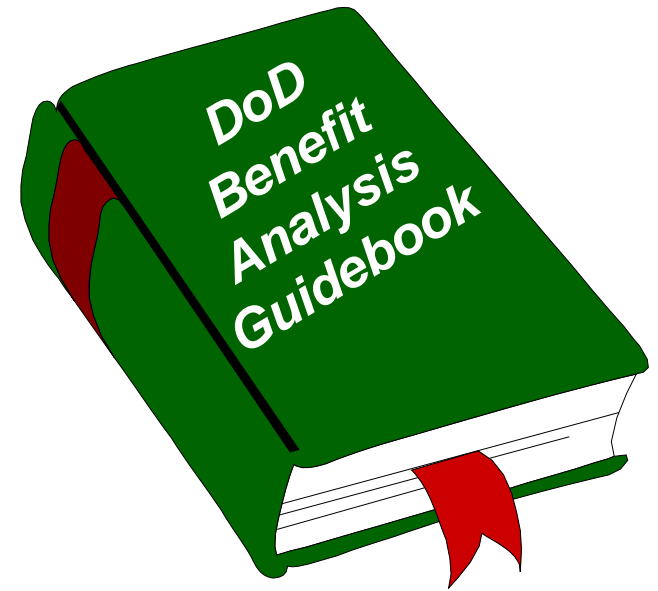
Please enter your e-mail address:

Please enter Name and Location AGENCY BUNDLING REQUIREMENTS:

ASSISTANCE:

<http://www.acq.osd.mil/osbp/> under “Resources”

- ❑ **DoD Benefit Analysis Guidebook to Assist Acquisition Planners before Contract Bundling (JAN 2002)**
- ❑ ***Watch for new & improved edition!!***
 - ❑ **Includes Samples, flowcharts, checklists, & more!**



QUESTIONS?

